

1. Master Agreement

Before you open a Guaranteed Education Tuition account, please carefully read the 2006-2007 Master Agreement, which explains the rules of the Program. When you sign your enrollment form, you are agreeing to the terms of the Master Agreement.

2006-2007 MASTER AGREEMENT Updated September 1, 2006

I. DEFINITIONS

The following Terms when used in the Agreement and the Enrollment form for purchase of Tuition Units will have the meanings set forth below:

- A. "529 Plan" means a qualified tuition program within the meaning of Section 529 of the Code.
- B. "Academic Year" means the regular nine month, three quarter or two semester period annually occurring between August 1st and July 31st.
- C. "Account" means the record that contains the details of payments, fees paid and/or charged, Units purchased, Units distributed, Units refunded and remaining Units in connection with a particular designated Student under an Agreement.
- D. "Account Owner" or "Purchaser" means the individual signing and submitting the Enrollment form and enrollment fee, and the person who has designated control of the Account.
- E. "Account Owner Survivor" or "Purchaser Survivor" means an individual authorized by the Account Owner to take control of an Account upon the death or incapacity of the Account Owner.
- F. "Actuarial Soundness" means the Program is projected to have the funds needed to pay future obligations as determined by an actuary. The actuarial formula incorporates several factors, including the current cost of tuition, estimated future tuition, inflation, investment returns and administrative costs, and a reserve to assist in periods of fluctuating returns or higher than average tuition.
- G. "Agreement" means the legally binding contract between the State and the Account Owner in favor of the Student Beneficiary resulting from acceptance by the State of the Account Owner's Enrollment form and payment for the purchase of Tuition Units under the Program.
- H. "Benefit Use Year" means the year the Student may begin the distribution of Units.
- I. "Blocked Account" means an Account that has use restrictions. (Usually, the Account Owner is a minor and the Account is restricted as a result of a court order or the Account Owner dies and has not designated an Account Owner Survivor.) In most cases, no funds may be distributed without a court order or until the minor reaches the age of majority (18 years of age in the State of Washington).
- J. "Code" means the Internal Revenue Code of 1986, as amended.
- K. "Committee" means the Committee on Advanced Tuition Payment, which governs the Advanced College Tuition Payment Program, also known as "Guaranteed Education Tuition."
- L. "Custodian" means a person who has entered into an Agreement with the Program where (1) the Account Owner is a minor or (2) the Account is funded from an UGMA or UTMA and the Custodian is required to act under the terms of the UGMA or UTMA. The Custodian is responsible for performing all duties of the Account Owner, unless otherwise provided by the Program.
- M. "Custom Monthly Payment Plan" means a plan selected during the enrollment period for the purchase of 50 to 500 Tuition Units over a period of one to 18 years. Monthly payments include interest.
- N. "Distribution" means payment by the Program to the Student's Institution of Higher Education toward the cost of Qualified Higher Education Expenses, and/or reimbursement to the Account Owner or Student, if authorized by the Account Owner.
- O. "Family Member" means parents, brothers, sisters, stepparents, stepbrothers, stepsisters, aunts, uncles, first cousins and other eligible blood or legal relatives as set forth in Section 529(e)(2) of the Code.
- P. "Full-time Tuition" means resident undergraduate tuition charges at a State Institution of Higher Education for enrollment between 10 credit hours and 18 credit hours per academic term.
- Q. "Gift Contribution" means the purchase of additional Tuition Units or payments by an individual who is not the original Account Owner in connection with an established Account.
- R. "Giftdor" means an individual authorized by the Account Owner to make Gift Contributions to an Account.
- S. "Guardian" or custodian means an adult authorized to make decisions on an Account owned by a minor Account Owner.
- U. "Information Release" means an individual other than the Account Owner who is authorized to make verbal inquiries about an Account. The Program cannot release the Account Owner's Login ID and PIN to the Information Release individual.
- V. "Institution of Higher Education" means an "eligible educational institution" under Section 529 (e)(5) of the Code. The institution must be recognized by the U.S. Department of Education as eligible to participate in student financial aid programs.
- W. "Lump Sum Plan" means a plan for the purchase of one to 500 Tuition Units at the Unit Price in effect on the date that payment is received by the Program. Additional Lump Sum Units may be purchased at any time at the Unit Price in effect on the date each payment is received by the Program.
- X. "Master Scholarship Account" means an Account opened by an Organization for the purposes of awarding Guaranteed Education Tuition Units as scholarships.

- Y. "Nonqualified Refunds" means all distributions that are not Qualified Refunds.
- Z. "Organization" means a state or local governmental unit, or a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Code, that is registered or licensed to operate in the State.
- AA. "Program" means the Advanced College Tuition Payment Program, known as "Guaranteed Education Tuition" or "GET."
- BB. "Qualified Higher Education Expenses" means eligible education expenses in connection with a Student Beneficiary's attendance at an Institution of Higher Education within the meaning of Section 529 of the Code. Generally, these expenses include the following: (1) tuition, all state-mandatory and college-specific fees, and the costs of textbooks, supplies, and equipment required for the enrollment or attendance of a Student Beneficiary at an Institution of Higher Education; (2) the costs of room and board (subject to certain limits) during any academic period during which the Student Beneficiary is enrolled at least half-time in a degree, certificate, or other program that leads to a recognized education credential awarded by an eligible Institution of Higher Education; and (3) expenses for special needs services for a special needs Student Beneficiary that are incurred in connection with his or her enrollment or attendance at an Institution of Higher Education.
- CC. "Qualified Refunds" means (1) refunds made because the Student Beneficiary received a scholarship provided that the scholarship is greater than or equal to the amount distributed or (2) refunds made as a result of the Student Beneficiary's death or disability.
- DD. "Resident Student" means an individual who has met the requirements at a State Institution of Higher Education to be classified as a resident of the State of Washington in order to qualify for resident undergraduate tuition and fees.
- EE. "State" means the State of Washington.
- FF. "State Institution of Higher Education" means a public college or university in the State of Washington, as defined in RCW 28B.10.016.
- GG. "Student" or "Student Beneficiary" means the beneficiary for whom Tuition Units will be distributed for attendance at an Institution of Higher Education.
- HH. "Tuition and Fees" means resident undergraduate tuition and mandatory services and activities fees, as defined in RCW 28B.15.020 and 28B.15.041 rounded to the nearest whole dollar. State-mandated fees are those provided by statute, including operating, building and student activity fees. They do not include institutionally mandated fees that may be required at each individual school. Schools may impose their own fees, such as technology, library, recreation and fees to secure repayment of bonded indebtedness, and other types of fees. These fees are not considered state-mandated fees and, therefore, are not covered in the payout value amount.
- II. "Tuition Unit" or "Unit" means 1/100th of the highest resident undergraduate Tuition and Fees at four-year State Institutions of Higher Education for the Academic Year of distribution.
- JJ. "Unit Payout Value" means 1 percent of the highest resident undergraduate Tuition and Fees at four-year State Institutions of Higher Education for the Academic Year at the time

of distribution. This value is known at the beginning of each Academic Year after the state public universities set their tuition rates (usually available after August 1). The Unit Payout Value is different from the Unit Purchase Price.

- KK. "Unit Purchase Price" means 1 percent of the highest resident undergraduate Tuition and Fees at four-year State Institutions of Higher Education for the Academic Year at the time of purchase, rounded to the nearest whole dollar, AND adjusted for the costs of Program administration and to ensure the actuarial soundness of the Program. The Unit Purchase Price is based on an actuarial formula, which incorporates several factors, including the current cost of tuition, estimated future tuition, inflation, investment returns and administrative costs, and the need for a reserve to assist in periods of fluctuating returns or higher than average tuition. The Unit Purchase Price is different from the Unit Payout Value.

II. ESTABLISHING AN ACCOUNT

A. Submitting an Enrollment Form

1. *Completed Enrollment form.* The Enrollment form submitted to the Program must be completed according to the Enrollment form instructions. A separate Enrollment form is required for each Student. The Enrollment form must be completed online by midnight on the last day of the enrollment period or postmarked by the last day of the enrollment period to be processed. Either the Account Owner or Student must be a resident of the State of Washington at the time the Enrollment form is submitted. For purposes of establishing an Account, a resident is defined as an individual whose permanent legal residence is Washington State. It includes military personnel who reside out-of-state but list Washington as their home of record in their military files.
2. *Initial Payment.* The Account Owner must send the payment for the nonrefundable enrollment fee with each Enrollment form. The Account Owner also must include payment for the purchase of a minimum of one Tuition Unit with the Enrollment form if enrolling in the Lump Sum Plan only.

B. Enrollment Form Acceptance, Agreement

1. *Written Confirmation by the Program.* A binding Agreement will be established once the Program confirms in writing or by electronic mail to the Account Owner that it has accepted the Enrollment form.
2. *Return of Enrollment Form.* If an Enrollment form is not accepted, an amount equal to any payment made will be returned to the Account Owner in the same manner as the original payment. The Agreement must designate an Account Owner who has a valid Social Security Number (or a Taxpayer or Employer Identification Number) or the enrollment will be rejected.
3. *Title to Agreement.* The Account Owner will hold title to an Agreement, and only the Account Owner may exercise rights under such Agreement, unless the Account Owner's ownership rights are transferred to the Account Owner Survivor, or to the Student as described below. Any person making a Gift Contribution will not have any title to or rights under the Agreement. If the Program is unable to locate either the Account Owner or Student within the time periods required under the Agreement, the Program will treat the value of any Tuition Units credited to the Account as unclaimed property and it shall become the property of the Program.

4. *Automatic Transfer of Ownership.* The Student designated in an Agreement will automatically assume the Account Owner's rights and responsibilities under and title to the Agreement in the event that the Account Owner dies, becomes legally incompetent or cannot be located by the Program and has not designated an Account Owner Survivor to assume control of the Agreement. In such event, the Program, without further notice, consent, authorization or otherwise, shall act at the specific direction of the Student Beneficiary if not a minor. If the Student is a minor, the Account shall become a Blocked Account unless the Program receives acceptable documentation that the Guardian may act on behalf of the Student.
5. *Voluntary Transfer of Ownership.* The original Account Owner may transfer ownership of or rights under the Agreement to another person to act as Account Owner only if such transfer is not prohibited by state or federal law or regulation, and is specifically approved in writing by the Program. The new Account Owner must agree to the transfer by signing the Account Owner Change form and shall be subject to the terms of the Agreement.

C. The Account Owner

1. *Qualifications.* The Account Owner must meet the following qualifications (as applicable):
 - a. Individual Account Owners. An individual Account Owner must provide a valid Social Security Number and/or other documentation acceptable to the Program.
 - b. Minor Account Owners. For an individual Account Owner under the age of 18 years, an adult must sign the Enrollment form and certify that he or she will serve as Guardian or Custodian under the Agreement.
 - c. Account Owners not Individuals. In the case of a legal entity opening an Account, a legally authorized representative of the entity must sign the Enrollment form. The authorized representative is an individual designated by an Organization, Corporation, or Government entity to control an Account. An authorized representative must sign all Program forms and acts as the Account Owner on behalf of the entity. Only one authorized representative is allowed. The entity must notify the program in writing if the authorized representative changes.
 - d. Scholarship Programs. An Organization may open a Master Scholarship Account on behalf of its scholarship program. See the Program Master Scholarship Policy on the Program Web site or contact the Program for more details.
2. *Notice to Account Owners.* All official notices from the Program will be directed only to the Account Owner, unless otherwise requested in writing by the Account Owner.
3. *Using Funds from UGMA/UTMA Accounts.* Custodians for minors under the Uniform Gifts to Minors Act or Uniform Transfers to Minors Act ("UGMA/UTMA") may open an Account using funds from an UGMA/UTMA Account subject to the state laws and rules governing such UGMA/UTMA accounts.
 - When proceeds from UGMA/UTMA accounts are to be used to purchase Tuition Units under an Agreement, the Student must be shown as the Account Owner of the Account and a Custodian must be designated. The Custodian is not the owner of the Account and has a legal obligation to use UGMA/UTMA funds solely for the benefit of the Student. The Custodian on this type of Account may not change the Account Owner or Student without a court order.

- The Student will obtain control of the Account and all rights under the Agreement upon reaching the age of majority. These rights include, but are not limited to, the right to cancel the Agreement and receive a refund pursuant to the Program refund policy, or to use the Tuition Units for educational purposes.
- Any and all contributions to this Account will be considered UGMA/UTMA funds and become an asset of the Student and also will be subject to UGMA/UTMA restrictions. An Account Owner should open a separate Account with the Program if he or she prefers to keep new contributions free from these restrictions.
- The Program will not be liable for any consequences related to a Custodian's improper use, transfer, or characterization of UGMA/UTMA or other custodial funds.

D. The Student

1. *Designation of Student.* Except as described below, the Agreement must designate, as beneficiary of the Agreement, a Student who has a valid Social Security Number or has applied for a Social Security Number. If the Student does not have a Social Security Number, the Account Owner must submit the Student's Social Security Number within six months after the date of receipt of the Enrollment form. The Student need not be related to the Account Owner. There is currently no age restriction for the Student. The Student may be the same person as the Account Owner.
2. *Scholarship Programs.* An Organization opening an Account need not designate a Student at the time of enrollment. Upon awarding a scholarship, the Organization will be required to submit a Scholarship Transfer form provided by the Program and to designate a Student as beneficiary at least four months prior to distribution as part of the requirements for initial distribution. Additional enrollment and transfer fees may apply.
3. *Change in Designated Student.* For any reason during the Agreement term, the Account Owner may, by written request, designate a new Student, who must be a Family Member of the previously designated Student. No Account Owner or Student may receive payment or other consideration in connection with such a change. The Program may require a court order to change or disallow changes in the designated Student for Blocked Accounts.

III. PURCHASING TUITION UNITS

A. Annual Enrollment Period

Annually, the Program will announce an enrollment period. Enrollment forms to establish a new Lump Sum Plan or Custom Monthly Payment Plan may be submitted only during an enrollment period. Additional Lump Sum Plan purchases and Gift contributions may be made to existing Accounts at any time, including outside of an enrollment period.

B. Number of Tuition Units

1. *Minimum Purchase.* For Lump Sum Plan Accounts, the minimum purchase shall be one Tuition Unit. For each new or reinstated Lump Sum Plan Account, the Account Owner must purchase at least the minimum purchase amount within 90 days of opening the Account or the Account may be cancelled at the discretion of the Program. For Custom Monthly Payment Plan Accounts, the Account Owner must select between 50 and 500 Tuition Units, in increments of 50, to be purchased under the Agreement.

2. *Maximum Number of Tuition Units.* No Student designated on an Account or multiple Accounts may be the beneficiary in the aggregate of more than 500 Tuition Units.
3. *Overpayments.* If a Custom Monthly Payment Plan is paid-in-full and the Program receives additional payments to the Account from the Account Owner, the Program will do the following:
 - Overpayments of \$50 or less – The Program will NOT notify the Account Owner and will automatically apply the overpayment to purchase Lump Sum Plan Units.
 - Overpayments of more than \$50 – The Program will notify the Account Owner that the payment was received and the Account Owner may elect to purchase Lump Sum Plan Units, transfer the overpayment to another Account, or receive the funds back.

If the total Tuition Units in the Account exceed 500, the excess amount will be returned to the Account Owner.

C. Purchase Options

1. *General.* Tuition Units under an Agreement may be purchased under the Lump Sum Plan, the Custom Monthly Payment Plan, or a combination of the two. The Program's price chart sets forth the purchase prices of specific numbers of Tuition Units paid for through a Custom Monthly Payment Plan purchased over a specified payment period.
2. *Lump Sum Plan.* The Account Owner may choose to purchase Tuition Units covered by the Agreement in one Lump Sum payment at the time of the enrollment. Additional Tuition Units may be purchased by Lump Sum Plan payment at a later time at the price in effect at the time of purchase of those Tuition Units. Payments are posted to Accounts on the date the payment is received by the Program. Lump Sum Plan purchases may be made at any time during the year. Units purchased under the Lump Sum Plan shall be priced annually and may also be adjusted once during the year, if necessary, to ensure the actuarial soundness of the Program.
3. *Custom Monthly Payment Plan.* The Account Owner may choose to purchase Tuition Units by making monthly payments under a Custom Monthly Payment Plan. The Account Owner must indicate in the Enrollment form the total number of Tuition Units to be purchased under the Agreement, and if purchasing a Custom Monthly Payment Plan, the specified payment period. Monthly payments include an interest charge of 7.5 percent per annum for the life of the payment plan plus the cost of processing the payments. Custom Monthly Payment Plans may be set up for one to 18 years in duration. The Program shall supply a coupon book to an Account Owner making monthly payments, unless the Account Owner selects the option to make payments through payroll deduction or automatic monthly withdrawal. However, each monthly installment payment will be due on the monthly due date, even if the Account Owner does not receive a payment coupon book before the payment is due. The Program sets the price for the purchase of a specific number of Tuition Units over a specific period of time. No Units purchased under a Custom Monthly Payment Plan may be used until the Account has been paid in full. Custom Monthly Payment Plans may be paid off early, although there is no reduction in total interest paid or any financial advantage to doing so.

4. *Combination Purchases.* The Account Owner also may choose to purchase certain Tuition Units by Lump Sum purchase and purchase other Tuition Units under a Custom Monthly Payment Plan.

D. Pricing of Tuition Units

1. *Annual Determination by Program.* For each year, the Program will use actuarial methods to determine purchase prices for Tuition Units purchased during that year. The price for Tuition Units covered by an individual Custom Monthly Payment Plan will not change from year to year, but remain as determined at the outset of the Agreement. Units purchased under the Lump Sum Plan shall be priced annually and also may be adjusted once during the year, if necessary, to ensure the actuarial soundness of the Program.
2. *Determination of Prices.* The prices shall be determined based on 1 percent of the highest resident undergraduate Tuition and Fees for the four-year State Institutions of Higher Education for the current Academic Year, rounded to the nearest whole dollar, adjusted for the costs of administration and adjusted as determined by the Program to ensure the actuarial soundness of the Program. The applicable purchase prices for Tuition Units may vary depending on the purchase payment option identified in the Enrollment form.

E. Methods of Payment

1. *Acceptable Methods.* Payment of the purchase price for Tuition Units and required fees must be made in United States currency, using any of the payment methods permitted by the Program, which may include (without limitation) the following:
 - Personal or cashier's check; or
 - Money order; or
 - Automatic Withdrawal Authorization– Account Owners selecting this method must complete the Automatic Withdrawal Authorization form provided by the Program, including a voided check for verification of routing and bank account numbers; or
 - Payroll deduction – Account Owners selecting this method must be employed by an organization that offers payroll deduction for the Program and must complete a Payroll Deduction Authorization form provided by, or acceptable to, the Program; or
 - Payment online through the Program's Web site via an online automatic payment option. There is a nominal fee assessed per transaction.
 - Credit or debit cards – Credit or debit cards will be accepted for payment of enrollment fees only and not for Unit purchases.
2. *Wire Transfers.* The Program does not accept payments via wire transfer.
3. *Fees.* Account Owners will be responsible for any fees charged by a bank or other entity that may be applicable to the payment method selected, including fees assessed on returned payments. See J. Dishonored Payments.

F. Gift Contributions

1. *Gift Contributions to an Existing Account.* A person may purchase Tuition Units for a Student designated on an existing Account by paying an amount referred to as a "Gift Contribution." A Gift Contribution may purchase additional Tuition Units or, in the case of a Custom Monthly Payment Plan, may

be applied to current or future monthly payments covered by the Agreement, and together with the Tuition Units covered by the Agreement, are subject to the maximum purchase amount. If the Student has a Custom Monthly Payment Plan, the Gift Contribution will be applied to the payments on the Custom Monthly Payment Plan, unless the Program receives written instructions to purchase additional Lump Sum Units. If a Gift Contribution results in an Account balance that exceeds the 500 Tuition Unit maximum, the excess amount will be returned to the Gifter.

2. *Timing of Gift Contributions.* Persons may make Gift Contributions to an established Account at any time, including outside an enrollment period. The Tuition Unit price posted to an Account will be the price in effect at the time payment is received.
3. *Purchase Price.* The purchase price of additional Tuition Units paid for by a Gift Contribution will be the same as the price applying to Lump Sum Plan purchases at the time the Gift Contribution is received. If applied to a Custom Monthly Payment Plan, it is applied at the rates established in the Agreement.
4. *Ownership of Tuition Units.* Tuition Units purchased and payments made by a Gift Contribution will be added to an existing Account and will be owned by and subject to direction solely by the Account Owner of the existing Account, not by the person making the Gift Contribution.
5. *Terms of Existing Agreement.* Purchase of Tuition Units by a Gift Contribution shall not affect the terms of the applicable existing Agreement.

G. Rollovers

In connection with the purchase of Tuition Units for an Account, the Account Owner must indicate whether the purchase is funded by a rollover contribution from a Coverdell Education Savings Account, a qualified U.S. Savings Bond (as described in Section 135(c)(2)(C) of the Code) or another Qualified Tuition Program for the same Student or for a new Student who is a Family Member of the original Student. If it is a rollover contribution, the Account Owner must provide acceptable documentation showing the earnings portion of the contribution. To the extent such documentation is not provided, the Program will treat the entire amount of the rollover contribution as earnings.

Acceptable documentation includes the following:

- **529 Plan Assets:** An account statement issued by the 529 program that shows the earnings or loss portion of the Account Owner's withdrawal.
- **Coverdell Education Savings Accounts:** An account statement or documentation issued by the account custodian that shows the basis and earnings in the Account Owner's account.
- **U.S. Savings Bond:** An account statement or IRS Form 1099INT from the redeeming institution that shows the interest that has accrued on the bond.
- Such other documentation determined by the Program to be acceptable in accordance with future guidance issued by the IRS.

Rollovers between 529 plans for the same Student Beneficiary are permitted only if it has been at least 12 months since the most recent such rollover for that Student Beneficiary. There is no restriction on the frequency of rollovers between 529 plans for different Student Beneficiaries. The distribution must be reinvested in another 529 plan within 60 days of the withdrawal date.

The Program does not perform direct rollovers to other state 529 programs. Distributions of this type fall under the Program's Cancellation and Refund Policy (described herein).

H. Prepayment

An Account Owner may prepay any amount due under a Custom Monthly Payment Plan before the applicable monthly due date. The Program will automatically apply prepayments in the following order of priority: (1) to any outstanding fees, charges, or penalties, under the Agreement; and (2) to future monthly payments in chronological order by due date. Upon a prepayment, there will be no reduction in the total monthly payments and the interest component thereof.

I. Failure to Pay When Due

1. *Payment Made Late.* If any monthly payment is made more than 15 days after the applicable monthly due date, such amount will be treated as a late payment. Each late payment will be subject to a late payment fee as described in the Program Fees chart.
2. *Failure to Pay.* If the initial Custom Monthly Payment Plan payment is not made within 90 days after the first payment due date or if a Custom Monthly Payment Plan is more than 180 days behind in payments, the Agreement to purchase Units under the Custom Monthly Payment Plan may be cancelled and the Program may automatically convert the Account to a Lump Sum Plan. Any outstanding fees will be withdrawn by the Program from the Account at the time of conversion.

J. Dishonored Payments

1. *Dishonored Payment.* If a check, automatic withdrawal or other payment by a Account Owner is not honored or not paid in full by the applicable bank or other entity (including stop payments), the payment will be treated as a dishonored payment. Each dishonored payment will be subject to a dishonored payment fee (see Program Fees chart).

Replacement payments made to offset dishonored payments will be processed at the Unit price in effect at the time the replacement payment is received.

2. *Initial Payment.* If the dishonored payment represents the initial payment, the Program may choose not to accept the Enrollment form or, if the Enrollment form has previously been accepted, may cancel the Agreement.
3. *Monthly Payment.* If the dishonored payment is a Custom Monthly Payment Plan payment, the amounts relating to the dishonored payment will remain due.

IV. DISTRIBUTION OF TUITION UNITS

A. Distribution of Tuition Units

For Tuition Units to be distributed, the following shall occur:

- For Units purchased by a Lump Sum Plan purchase, the Units must be fully paid for and held for two full calendar years.
- For Units purchased in a Custom Monthly Payment Plan, the Custom Monthly Payment Plan must be paid in full, there must be no outstanding fees, and the Agreement must have been in effect for two years before any Units purchased under the Agreement may be used.
- The Account Owner has notified the Program using an acceptable method as described in the Program's "Guide to Using Your GET Units" of his or her intent to have the Tuition Units distributed on behalf of the Student. See the Program Web site or contact the Program for a copy of the guide.

- The Student must have enrolled in an eligible Institution of Higher Education on or after the projected Benefit Use Year set forth in the Enrollment form.
- The Program will not pay for expenses incurred for a Student enrolled in the Running Start Program as enacted in RCW 28A.600.300 through 28A.600.410.

B. Eligible Expenses

The Program may require documentation from the Account Owner and/or Student necessary to confirm that a distribution will be used only for Qualified Higher Education Expenses at an Institution of Higher Education, as allowed by federal tax law in effect at the time. From time to time, changes in federal law may affect the types of Qualified Higher Education Expenses and Institutions of Higher Education for which distributions may be used.

C. Use of Tuition Units

Tuition Units may be used for Qualified Higher Education Expenses at any eligible Institution of Higher Education. The value of one hundred Tuition Units is not guaranteed to cover the full amount of Tuition and Fees unless used at a State Institution of Higher Education.

D. Timing and Maximum Distribution

Unless eligible Units are available from a previous Benefit Use Year, the Student may not request a distribution of more than 125 Units in the Academic Year of August 1 to July 31. Subject to any further restrictions imposed by state or federal laws or regulations, all requests for a distribution from an Account must be made within 10 years after the Benefit Use Year or within 10 years after the first distribution date for such Account, whichever is later, unless the Program approves the Account Owner's written request for an extension before that time.

E. Request for Distribution

The Program will provide the Account Owner with information on completing an Intent to Enroll form, which must be completed and returned to the Program by the date required on the form. If the Program does not receive the form by the due date, distribution of Units may be delayed. If the Account has been opened by an Organization in connection with a scholarship program, the Organization also must designate the Student and provide the information required by the Program for purposes of distribution at least four months prior to the expected distribution date. The information received may be verified by telephone.

F. Payment of Distribution

1. *Payment to Institutions.* Except as provided in F.2. below, any distribution by the Program on behalf of a Student will be paid directly to the Institution of Higher Education at which the Student is enrolling. If a payment from the Program results in a credit at the Student's Institution of Higher Education, that Institution may issue a refund to the Student. In most cases, the Program does not accept these payments back and will not credit the Student's Account.
2. *Reimbursement.* At the option of the Account Owner, distributions may be paid to the Account Owner or Student for Qualified Higher Education Expenses in the form of a reimbursement. Reimbursements to Students require a notarized signature from the Account Owner.
3. *Conditions to Payment.* A distribution will be made only after the Program determines:

- a. *Eligibility of the Institution.* The Student's institution is an Institution of Higher Education as defined in the Agreement.
- b. *Qualified Higher Education Expenses.* The amount of any distribution will not exceed the value of Units available to be distributed and will be used for Qualified Higher Education Expenses.

4. *Value of Tuition Units to be Distributed.* Tuition Units shall be valued at the time of distribution as set forth in the definitions of this Agreement.
5. *Forfeiture of Account.* If there is no activity on the Account in the 10 years after the Student reaches the projected Benefit Use Year and no notification of intended usage or request for extension has been received by the Program, upon written notification to the Account Owner, the Student and any other designated parties and failure of the parties to respond within 60 days, the Program may terminate the Account. In this event, the rights to distributions or refunds under the Agreement will be forfeited and the Program will retain any funds then remaining in the Account.
6. *Tax Implications.* The Program shall not be responsible for any state or federal taxes imposed on the Account Owner, the Student or otherwise in connection with any distribution of Units and such persons are urged to consult their tax advisor. See "Tax Matters" in the Program Details guide for more tax information.

V. REFUNDS

A. General Refund Rules

1. All refunds will be made according to State law, including RCW 28B.95.110, Program rules and policies, and Section 529 of the Code.
2. Refunds will be made by the Program only for Tuition Units held in an Account for a minimum of two calendar years or such shorter period as may be imposed by state or federal laws, regulations or policies.
3. The Program may charge fees or a Program penalty in connection with refunds as set forth in greater detail below. The Program shall deduct all outstanding fees and the Program refund penalty from Account payments.
4. The Program will make refunds to the Account Owner (or Student, if specified in writing by the Account Owner), or as otherwise described in the applicable Agreement.

B. Request for Refund

1. Only the Account Owner may request a refund of amounts credited to the Account except as described within the applicable Agreement.
2. The refund request must include a notarized Refund Certification form signed by the Account Owner and other documentation required by the Program, as detailed in the Program Cancellation and Refund Policy (available on the Program Web site or by contacting the Program) in effect on the date of the refund request.
3. The Program Director must approve refunds from Accounts older than six months into which the Account Owner has paid over \$500.

C. Reasons for Refunds – Penalty Fees

1. *Qualified Refunds.* The Program will refund Tuition Units and will not assess a Program refund penalty fee or refund fees for Qualified Refunds. The IRS does not assess a 10 percent penalty tax, but the earnings portion of all Qualified Refunds will be subject to federal income tax. The following documentation must be submitted with the Program Refund Request form:

- Death - In connection with the death of the Student, a request must be accompanied by a copy of the Student's death certificate.
- Disability - In connection with the disability of the Student, a request must be accompanied by appropriate documentation from a medical professional demonstrating that the disability prevents or would prevent the Student from attending any Institution of Higher Education.
- Scholarship - As a result of the Student's receipt of a scholarship, a request must be accompanied by documentation of the scholarship, including the awarding entity, the amount of the scholarship and the applicable academic term. Qualified Refunds in connection with a scholarship are limited to the scholarship award, not to exceed 125 Units per Academic Year. The Account Owner may request a Qualified Refund without a Program refund penalty for the cash value of scholarships received by the Student for the year the scholarship is received. Instead of requesting a Qualified Refund, the Account Owner may elect to use an amount equivalent to the scholarship to pay for the Student's other Qualified Higher Education Expenses.

2. *Nonqualified Refunds.* Except as provided below, the Program will assess a Program refund penalty fee and refund fees on any Nonqualified Refund. In addition to the Program refund penalty fee and refund fees, Nonqualified Refunds are also subject to a 10 percent penalty tax on earnings payable to the IRS by the Account Owner. The earnings portion of all refunds will be subject to federal income tax.

- a. Nonqualified Refunds requested due to a Student's graduation or completion of a program. The Program does not assess the Program refund penalty fee for Nonqualified Refunds due to a Student's graduation or completion of a program. However, the earnings portion of the distribution is still subject to federal income tax and a 10 percent penalty tax payable to the IRS by the Account Owner.
- b. Program Refund Penalty Fee. The program refund penalty fee amount is 10 percent of the increased value of the Units held at the time of the refund, or \$100, whichever is greater.

D. Payment of Refund

1. *Units Eligible for Refund.* For Tuition Units to be refunded, the following shall occur:

- For Units purchased by a Lump Sum Plan, the Units must be fully paid for and held for two full calendar years.
- For Units purchased by a Custom Monthly Payment Plan, the Custom Monthly Payment Plan must be paid in full, there must be no outstanding fees, and the Agreement must have been in effect for two years before any Units purchased under the Agreement may be used. If the Custom Monthly Payment Plan is not fully paid for, the Program will convert the plan to a Lump Sum Plan and refund the Units according to the Lump Sum Plan.

2. *Limits on Refunded Units.* For approved refunds, all Tuition Units minus any Program refund penalty and refund fees will be refunded except refunds requested due to:

- Student Nonattendance. The refund is limited to 125 Units per academic year. The refund will be made no sooner than ninety days after the Refund Certification and any other documentation required in the Program Refund and Cancellation Policy is received. The Account Owner must complete the Refund Certification each academic year for the refund of additional Tuition Units, until all Units are refunded.
- For a Nonqualified Refund because of a scholarship for the Student, the refund is limited to the scholarship award, not to exceed 125 Units per Academic Year.

3. *Refund Amount.* The Program will calculate the amount of any refund pursuant to the terms of the applicable Agreement. The refund amount paid is based on the current Unit Payout Value, as determined by the Committee, at the time the Program approves the refund, unless otherwise required by state law. The refund will be minus any applicable Program refund penalty fee, refund fees, or other outstanding fees or charges.

E. Refund Requests Due to Bankruptcy

Certain funds may be protected against bankruptcy of the Account Owner. See G. Bankruptcy Provisions in "Section IX, Other Considerations" of the applicable Agreement. If a refund is requested due to bankruptcy, the Account Owner or Bankruptcy Trustee must provide the Program with a copy of the bankruptcy filing. The Units will be valued at the Unit Payout Value in effect at the time the refund is approved. All outstanding fees will be deducted but the Program will not assess a Program refund penalty fee or other penalties or fees. Payments will be made payable per the Bankruptcy Trustee.

F. Refund Decision Appeal Process

If the Program denies a refund request, the Account Owner may submit a letter to the Program Director within 10 days after notification, asking for reconsideration. If the Director denies reconsideration, the Account Owner may submit a letter to the Committee Chair within ten days after notification, asking for reconsideration. The Committee Chair will conduct a brief adjudicative proceeding on the merits of the request and render a final decision.

G. Termination of Right to Refund

Any value of Tuition Units under an Agreement which has not been paid as a distribution or refund within 10 years after the Student reaches the projected Benefit Use Year or 10 years after the initial distribution date, whichever is later, or as imposed by state or federal law or regulation, may be paid by the Program to the Account Owner as a Nonqualified Refund, after deducting the Program refund penalty fee and outstanding fees from such amount. The Program shall notify the Account Owner of the value of the Units and the right to a refund prior to the expiration of the usage of the Units. If no request for a refund is made by the Account Owner or extension of usage or transfer to another Student is requested by the Account Owner, the balance shall become property of the Program.

H. Tax Implications

The Program shall not be responsible for any state or federal taxes imposed on the Account Owner, the Student or otherwise in connection with any refund, including the 10 percent penalty

tax payable to the Internal Revenue Service in connection with a Nonqualified Refund. The Program sends a tax document to recipients of Qualified and Nonqualified Refunds made during the calendar year as required by the IRS. The tax document details the gross distribution, gain (or loss) and the basis of all distributions. See "Tax Matters" in the Program Details guide for more tax information.

VI. FEES/PENALTIES

The Program will establish fees and penalties, and will adjust such fees and penalties from time to time. The Account Owner should refer to the current schedule for fees and penalties provided by the Program. The Account Owner agrees that the Program shall have the right to deduct fees and penalties before any distribution or refund. This may reduce the number of Tuition Units credited to an Account.

VII. AGREEMENT CANCELLATION

A. Full Cancellation

1. *Program Cancellations.* The Program may cancel an Agreement immediately if: (i) the Account Owner has supplied materially false or misleading information or has made a material misrepresentation on or in connection with an Enrollment form or an Agreement; (ii) the Account Owner fails to provide a valid Social Security Number for the Student within six months after the date of enrollment; (iii) the value of the Tuition Units held in an Account Owner's Account as then calculated is less than an amount determined by the Program to be minimal; (iv) the initial payment is dishonored; or (v) the Account Owner fails to comply with the terms of the Agreement (other than failure to make monthly payment by the monthly due date) and does not correct such failure within 30 days after receiving notice of such failure.
2. *Within three working days.* The Account Owner may cancel his or her Account within three working days after the Program receives the Enrollment form and initial payment. The Program will return all payments to the Account, including the enrollment fee.
3. *Within six months.* The Account Owner may cancel his or her Account within six months after the Program receives the initial payment. The Program will return all payments to the Account, except the non-refundable enrollment fee and any other outstanding fees.
4. *Accounts with less than \$500.* The Account Owner may cancel his or her Account at any time, if the Account Owner has paid \$500 or less into his or her Account. The Program will return all payments to the Account, except the non-refundable enrollment fee and any other outstanding fees.

B. Account Conversion

If a Custom Monthly Payment Plan is not in good standing, the Program may declare a conversion of the Account. Monthly payments on a converted Account will be used to purchase paid-in-full Lump Sum Plan Units at the prices in effect on each payment date. After conversion, only Lump Sum Plan Units may be purchased in that Account.

C. Cancellation Fees

In the event of any full cancellation of an Agreement by the Program, the Program may deduct any applicable Program refund penalty fee and any other unpaid fees and charges from amounts

credited to the Account and shall then transmit to the Account Owner any remaining amounts on deposit.

VIII. OPERATION OF THE FUND

A. Pooled Accounts

All amounts received under Agreements will be commingled and held by the Program in accordance with federal and state law. The Program will not separately invest amounts paid under an individual Agreement, but will maintain records showing the Account Owner, the Student, the amount paid and the number of Tuition Units purchased, distributed and refunded in connection with an Agreement.

B. Investment and Use

1. *Investment.* The Program is permitted to invest amounts paid under Agreements in accordance with state law and the Washington State Investment Board's investment policy. The Program is not required to invest such amounts.
2. *Investment Not Subject to Direction.* No Account Owner or Student may direct the investment of amounts paid to or otherwise held by the Program in connection with any Agreement.
3. *Use.* The Program may apply amounts paid under Agreements to pay for or reimburse the Washington State Investment Board for its administrative expenses in connection with the Program.

C. Reserve

The Program will accumulate amounts as a stabilization reserve, available to pay obligations of the Program if the Program does not otherwise have revenues in any particular year sufficient to pay such obligations. Reserve amounts will not be held, maintained or invested separately by the Program.

D. Annual Program Analysis

In accordance with state law, the Program will have an annual evaluation of the actuarial soundness of the Program. The results of this evaluation will be used to determine whether one or more Unit price adjustments are needed, and if so, how much the price will be adjusted.

E. Fund Termination

1. *Declaration of Termination.* If the State declares that the Program is not financially feasible, or for any other reason determines that the Program shall be terminated, the Committee will cease to accept any further Agreements or Tuition Unit purchases.
2. *Remaining Tuition Units.* The remaining Tuition Units for all Students who have either enrolled in an Institution of Higher Education or who are within four years of their eighteenth birthday shall be honored until such Tuition Units have been exhausted, or for 10 fiscal years from the date the Program was terminated, whichever comes first. All other Account Owners shall receive a refund equal to the current value of the Tuition Units in effect at the time of termination, as determined by the Committee.
3. *At the End of the 10-Year Closeout Period.* At the end of the 10-year closeout period, any Tuition Units remaining unused by current Students enrolled in an Institution of Higher Education shall be refunded at the value of a Unit in effect at the end of the 10-year closeout period.

4. *Remaining Amounts.* At the end of the 10-year closeout period, all other amounts not needed to make refunds or to pay for administrative costs shall be deposited in the State General Fund.

F. State Guarantee

The Washington Advanced College Tuition Payment Program is an essential State governmental function. Agreements with eligible participants are contractual obligations legally binding on the State. The State guarantee is backed by State law (RCW 28B.95). The State guarantees that purchases of Tuition Units will be worth the same number of Tuition Units at the time of redemption as they were worth at the time of the purchase. If, and only if, the money in the Program is projected to be insufficient to cover the Program's contracted expenses for a given biennium, then the State legislature shall appropriate to the Program the amount of money necessary to cover such expenses. This means that, if future tuition increases required the Program to pay out more money during a given biennium than available, the State legislature would be required by State law to appropriate State funds to cover the expenses. Distributions and refunds shall be made by the Program as outlined in Sections IV and V of this Master Agreement. The Program does not guarantee the Unit Payout Value will exceed the Unit Purchase Price.

IX. OTHER CONSIDERATIONS

A. Transferability

The Agreement between the State and the Account Owner is not transferable by the Account Owner for payment or other consideration except as allowed under Sections II B (4) and (5). No Account Owner, Student or other person or entity may pledge an Account or any amounts credited to an Account as collateral in connection with a loan or other arrangement.

B. Tax Considerations

The Program is designed to qualify for treatment as a qualified tuition program under Section 529 of the Code, and is subject to any changes to state or federal law. Federal law, effective Jan. 1, 2002, permits Account Owners or Students to be exempt from payment of income tax on any increased value of distributed Units if such Units are used for Qualified Higher Education Expenses. Payments to Accounts are considered completed gifts for federal estate and gift tax purposes. The Program is not liable for the effect of any state or federal taxes on any transactions or activity in conjunction with an Agreement, including the 10 percent penalty tax which must be paid to the Internal Revenue Service on earnings in connection with a nonqualified distribution. All Account Owners and Students are solely responsible for payment of any applicable taxes or submission of any required forms or other documents to taxing entities. Account Owners are strongly advised to consult a tax advisor regarding the consequences of their participation in the Program. See "Tax Matters" in the Program Details guide for more tax information.

C. Coordination with Other Education Incentives

You may contribute to a Coverdell Education Savings Account and the Program in the same year for the same Student. HOPE Scholarship and Lifetime Learning Credits can be claimed in the same year that a qualified distribution is taken from the Program, provided the distribution is not used for the same expenses. See "Tax Matters" in the Program Details guide for more tax information.

D. Securities Law Considerations

Agreements may be considered securities for the purposes of certain state and federal laws. The Program may be prevented from allowing potential Account Owners located in certain states to establish contracts, or may be required to make certain filings or pay certain fees to enroll in the Program.

E. Impact on Financial Aid and Medicaid

Financial Aid. The Program cannot determine and makes no representation as to what effect, if any, an Agreement may have on future state, federal, institutional, or private financial aid eligibility of any Student. The receipt of, or potential for receipt of, distributions or refunds under an Agreement may affect a Student's qualification for or receipt of such financial aid. Funds from an Account are typically listed on the Free Application for Federal Student Aid (FAFSA) as an asset of the Account Owner. The amount listed is the refund value of all Accounts of the Account Owner on the date of filing the FAFSA. Please see the Program "Guide to Using Your GET Units" for details. Assets are used in the calculation of the Expected Family Contribution (EFC), which is used by Institutions to determine need for financial aid. However, treatment of such assets may vary and the Program cannot advise in this area. The Account Owner should contact the financial aid office at the Student Beneficiary's Eligible Institution for information on financial aid award procedures.

Medicaid. Rules vary greatly so it is unclear how local and state government agencies will treat program assets when determining Medicaid eligibility. If this is a concern, the Account Owner should consult a qualified advisor to determine how an Account may affect Medicaid eligibility.

F. Residency, Financial Aid, and Academic Status

Purchase of an Agreement or other participation in the Program, including being named as a Student under an Agreement, does not constitute any guarantee of:

- Admission to any Institution of Higher Education; or
- Classification as a resident of the State of Washington for purpose of admission to or tuition at any State Institution of Higher Education; or
- Eligibility for any form of state, federal, institutional or private student financial aid; or
- Graduation from any Institution of Higher Education.

G. Bankruptcy Provisions

- Under State law RCW 28B.95 and RCW 6.15.010 (5), effective July 24, 2005, funds used to purchase Tuition Units more than two years prior to the date of a bankruptcy filing or court judgment will be considered excluded personal assets of the Account Owner.
- Under federal law, effective October 17, 2005, funds used to purchase Tuition Units more than two years prior to the bankruptcy filing are exempt. The protection is limited to \$5,000 for funds held for only one to two years. Funds held in an Account for less than one year are not protected. The Student Beneficiary cannot be the debtor and must be the debtor's child, stepchild, grandchild, or step-grandchild.

X. MISCELLANEOUS

A. Notice to Program

Notice to the Program shall be sent by mail to Guaranteed Education Tuition, P.O. Box 43450, Olympia, Washington 98504-3450 or by facsimile to (360) 704-6200 or by email at GETInfo@hecb.wa.gov.

B. Records

Records for the Program shall be subject to the public disclosure laws of the State and the exemption from disclosure provided therein.

C. Washington Law Governs

The laws of the State of Washington shall govern each Agreement. Account Owners agree to jurisdiction of the Washington state courts over any disputes in connection with the Program or any Agreement.

D. Amendments

The Program reserves the right to amend any Agreement to the extent required by law or to the extent necessary or desirable in order to preserve favorable tax treatment under federal and state law or for reasons in the interest of Account Owners and the Program and to make technical corrections. This Master Agreement supersedes all previous Master Agreements.

E. Severability

If any court of competent jurisdiction finds any portion of these Master Agreement terms or the Enrollment form to be invalid or unenforceable, such invalid or unenforceable portion shall be severed from these Master Agreement terms or the Enrollment form, as applicable, and the remainder of these Master Agreement terms or the Enrollment form will remain in full force and effect.

F. Purchases by Persons Employed or Related to the Program

Members of the Committee, Program staff and persons employed by service providers in connection with the Program may purchase Tuition Units to the extent consistent with State and federal law and upon the same terms and conditions as the public at large.